

Message Text

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ORIGIN XMB-04

INFO OCT-01 ARA-14 ISO-00 EB-07 /026 R

EXIMBANK

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XMB: R. D. CRAFTON
ARA/AND:MLEVINE

-----132245Z 054918 /66

O 132208Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY LA PAZ IMMEDIATE

UNCLAS STATE 136706

E.O. 11652: N/A

TAGS: EGEN BL

SUBJECT: REQUEST FOR EXIMBANK FINANCING OF COTTON SPINNING
PLANTS.

REFERENCE: (A) STATE 93002, (B) LA PAZ 4202, (C) LA PAZ
4315.

1. WHILE APPRECIATING EMBASSY RESPONSES IN REFS (B) AND
(C), EXIMBANK STILL HAS SERIOUS CONCERNS ABOUT THE FEASI-
BILITY OF THE PROPOSED COTTON SPINNING PLANT TO BE CON-
STRUCTED AND OPERATED BY COMITE DE OBRAS PUBLICAS DE SANTA
CRUZ. GEORGE BOGDANOFF, EXIM REPRESENTATIVE, WHO WILL BE
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VISITING BOLIVIA JUNE 15-21, IS AWARE OF EXIM'S CONCERNS
AND EXPECTS TO DISCUSS THEM WITH EMBASSY, AND WITH COMITE
DE OBRAS PUBLICAS IF APPROPRIATE, WHILE IN BOLIVIA.

2. AS EMBASSY IS AWARE, EXIM IS EXPERIENCING PAYMENTS AND
CLAIMS DIFFICULTIES ON INSURANCE OF FINANCING OF GINNING
EQUIPMENT FOR COTTON GROWERS IN BOLIVIA. THESE DIFFI-
CULTIES POSE PROBLEMS FOR EXIM IN CONSIDERING A REQUEST
FOR FINANCING A SPINNING PLANT THAT EXPECTS TO OPERATE EN-

TIRELY FROM DOMESTICALLY GROWN COTTON. MOREOVER, PROPOSED FINANCING OF THE COSTS OF THIS RELATIVELY LARGE PROJECT

WILL BE 85 PERCENT DEBT. THE EQUITY PROPORTION OF 15 PERCENT OF COSTS IS VERY THIN FOR A VENTURE OF THE SIZE AND NATURE OF THE PROPOSED SPINNING PLANT AND PROVIDES NO CUSHION FOR A SHORTFALL IN INCOME EXPECTATIONS. THE PLANT IS EXPECTED TO BE LOCATED IN THE PROPOSED SANTA CRUZ INDUSTRIAL CENTER, THE CONSTRUCTION OF WHICH IS ONLY AT PRESENT COMMENCING AND WHICH DOUBTLESSLY WILL HAVE NUMEROUS PROBLEMS OF INFRASTRUCTURE, E.G., POWER, WATER, SEWERAGE, PAVEMENTS, AND ENVIRONMENTAL CONTROL, BEFORE IT CAN ACCOMMODATE A PROJECT WITH THE REQUIREMENTS OF THE COTTON SPINNING PLANT.

3. THE COTTON SPINNING PLANT WILL REQUIRE FOR SUCCESSFUL OPERATION EXPERIENCED EXECUTIVE MANAGEMENT AND A CADRE OF MIDDLE LEVEL MANAGEMENT AND A RELATIVELY LARGE FORCE OF TRAINED LABORERS IN THE PLANT. THE AVAILABILITY OF PERSONS TO MEET THESE REQUIREMENTS HAS NOT BEEN EVIDENCED TO EXIM BY COMITE DE OBRAS PUBLICAS.

4. UNTIL COTTON FINISHING FACILITIES COME INTO EXISTENCE IN BOLIVIA, A LARGE PROPORTION OF ANNUAL YARN PRODUCTION FROM THE PROPOSED PLANT IS EXPECTED TO BE EXPORTED. BOTH EXPORT AND DOMESTIC MARKETS SALES VOLUME HAVE BEEN EXTRAPOLATED ON THE HYPOTHESIS THAT INCREASED DEMAND FOR THE UNCLASSIFIED

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YARN WILL FOLLOW THE HISTORICAL ANNUAL PER CAPITAL CONSUMPTION GROWTH IN NATIONS FAR MORE DEVELOPED THAN BOLIVIA.

5. GIVEN THE NATURE OF THE PROJECT AND THE PROJECTIONS FURNISHED EXIM, THE HIGH PROPORTION OF DEBT FINANCING SHORTFALL MAY BE EXPECTED TO POSE VERY SERIOUS PROBLEMS FOR COMITE DE OBRAS PUBLICAS IN MEETING ANNUAL REQUIREMENTS FOR SERVICING THE DEBT. VANCE

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Message Attributes

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Sent Date: 13-Jun-1977 12:00:00 am
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Decaption Note:
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Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
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